

# SENATE RECORD VOTE ANALYSIS

105th Congress  
1st Session

Vote No. 113

June 24, 1997, 5:58 pm  
Page S-6142 Temp. Record

## BALANCED BUDGET ACT/Part B Premium Means Testing

**SUBJECT:** Balanced Budget Act of 1997 . . . S. 947. Roth motion to table division I of the Kennedy amendment No. 440.

### ACTION: MOTION TO TABLE AGREED TO, 70-30

**SYNOPSIS:** As reported, S. 947, the Balanced Budget Act of 1997, will make net mandatory spending reductions to achieve the savings necessary to balance the budget by 2002 and to provide the American people with tax relief. This bill is the first reconciliation bill that is required by H.Con. Res. 84, the Budget Resolution for fiscal year (FY) 1998 (see vote No. 92). The second bill will provide tax relief (see vote No. 160).

**Division I of the Kennedy amendment** would strike section 5542, as amended (by unanimous consent, section 5542, as amended, was considered as original text for purposes of further amendment). Section 5542, as amended, will means test the taxpayer subsidy for the Medicare Part B premium. Medicare Part B enrollment is voluntary; 75 percent of its costs are subsidized by the taxpayers out of general funds and 25 percent are paid for by enrollees. Section 5542 will phase out the taxpayer subsidy of the Part B premium for individuals with incomes between \$50,000 and \$100,000 and for married couples with incomes between \$75,000 and \$125,000. Amounts equal to the resulting lower Federal subsidies for high income retirees (\$3.9 billion over 5 years) will be transferred to Part A of Medicare to increase its solvency. In other words, the American taxpayers will no longer be asked to subsidize three-quarters of the Part B premium costs for high income Americans, and the savings will be used to help keep Medicare from going bankrupt. Section 5542 will also create a new 5-year, \$1.5 billion program that will entitle States to receive block grant funds for Medicare cost sharing on behalf of Medicare beneficiaries with incomes between 120 percent and 150 percent of the poverty line (Medicaid already pays for Medicare premiums for individuals with incomes below 120 percent of the poverty line). Finally, a demonstration project, in which participation will be voluntary, will be conducted in which individuals will pay a means-tested deductible rather than a means-tested premium.

Debate on a first-degree amendment to a reconciliation bill is limited to 2 hours. Debate was further limited by unanimous consent to 1 hour on division I of the Kennedy amendment. Following debate, Senator Roth moved to table division I. Generally, those favoring the motion to table opposed the division; those opposing the motion to table favored the division.

(See other side)

YEAS (70)			NAYS (30)		NOT VOTING (0)	
Republicans (49 or 89%)		Democrats (21 or 47%)	Republicans (6 or 11%)	Democrats (24 or 53%)	Republicans (0)	Democrats (0)
Allard	Hutchinson	Baucus	Abraham	Akaka		
Ashcroft	Hutchison	Bingaman	Coverdell	Biden		
Bennett	Inhofe	Breaux	D'Amato	Boxer		
Bond	Jeffords	Bryan	McCain	Byrd		
Brownback	Kempthorne	Bumpers	Snowe	Cleland		
Burns	Kyl	Conrad	Specter	Daschle		
Campbell	Lott	Dodd		Dorgan		
Chafee	Lugar	Feingold		Durbin		
Coats	Mack	Feinstein		Ford		
Cochran	McConnell	Glenn		Inouye		
Collins	Murkowski	Graham		Johnson		
Craig	Nickles	Harkin		Kennedy		
DeWine	Roberts	Hollings		Lautenberg		
Domenici	Roth	Kerrey		Leahy		
Enzi	Santorum	Kerry		Mikulski		
Faircloth	Sessions	Kohl		Moseley-Braun		
Frist	Shelby	Landrieu		Murray		
Gorton	Smith, Bob	Levin		Reed		
Gramm	Smith, Gordon	Lieberman		Reid		
Grams	Stevens	Moynihan		Rockefeller		
Grassley	Thomas	Robb		Sarbanes		
Gregg	Thompson			Torricelli		
Hagel	Thurmond			Wellstone		
Hatch	Warner			Wyden		
Helms						

#### EXPLANATION OF ABSENCE:

- 1—Official Business
- 2—Necessarily Absent
- 3—Illness
- 4—Other

#### SYMBOLS:

- AY—Announced Yea
- AN—Announced Nay
- PY—Paired Yea
- PN—Paired Nay

NOTE: Senator Kennedy offered an amendment with three separate parts and immediately demanded that it be divided into those separate parts. Division III, which would require Senators to pay the full costs of their own health insurance premiums, was then accepted by voice vote; following the vote to table this division, Senators rejected a motion to waive the Budget Act for the consideration of division II of the Kennedy amendment (see vote No. 114).

**Those favoring** the motion to table contended:

Part B of Medicare (for physician costs and other costs), which is voluntary, is not paid for through payroll taxes. Instead, Part A beneficiaries (Part A is for hospitalization costs) are given the option of signing up for it when they reach age 65, and when they sign up they only have to pay 25 percent of the program's premium. The rest is subsidized by the taxpayers, for rich and poor beneficiaries alike. Thus, American families struggling to make ends meet are being taxed to pay 75 percent of the Part B medical insurance for rich retirees. This arrangement is not just and should be stopped. Section 5542 of this bill will stop it. The subsidy will be phased out for single retirees with incomes between \$50,000 and \$100,000, and it will be phased out for married retirees with joint incomes between \$75,000 and \$125,000.

The savings of \$3.9 billion over 5 years will be put into the Medicare Part A trust fund. That fund is going broke. It spends much more money than it takes in, and every year the problem is getting worse. By 2001 it will be insolvent. If it were not insolvent by that year, it would run \$100 billion deficits by 2005. Adding the \$3.9 billion savings to Part A is just one of the many reform measures that this bill contains to stave off Medicare's collapse for another 10 years.

Our colleagues have raised two basic objections to section 5542. First, they have said that it will violate the principle that Medicare is an insurance system that gives the same benefits at the same costs to everyone, regardless of income. In response, though the claim has often been made that Medicare operates on that principle, and though many people may believe it, our colleagues well know it is and always has been false. The benefits are the same but the costs are based on income. The main portion of Medicare is Part A. Part A is the portion of Medicare that is mandatory and that is paid for through payroll taxes. Everyone pays in 2.9 percent of their earned income, counting both the taxes on them and their employers. Up until recently, they only paid that tax up to a certain income level, but the cap has now been removed. Thus, a person who makes \$100,000 per year all of his or her working life puts \$2,900 per year into Medicare, and a person who makes \$10,000 per year all of his or her working life puts \$290 per year into Medicare. When they retire at age 65, they will be eligible for exactly the same Part A benefits. In other words, wealthier people pay more than poorer people, and they get the same benefits. For Part A, the principle has always been that everyone gets the health care coverage they need when they are old, and richer people pay enough to pay for their benefits and to subsidize the benefits of poorer people. For Part B, which no one has to join, our colleagues are closer to correct. Not one cent is collected in payroll taxes. Instead, every retiree who wants to participate signs up and pays for 25 percent of the premium cost. The taxpayers pick up the other 75 percent of the program's cost. However, the program does not treat all retirees equally because measures have been adopted that relieve poorer program participants from even having to pay the 25 percent cost. Thus, all of Medicare already operates on the principle that everyone gets the same benefits, and people with more money must pay more for those benefits.

Section 5542 of this bill will further means test the 25-percent premium in two ways. First, it will give relief to Part B participants up to 150 percent of the poverty line instead of up to the current 120 percent. No objections have been raised to this additional assistance. Second, it will stop working Americans, many of whom are of very modest means, from subsidizing the health care costs of rich retirees. Our colleagues want to strike section 5542 because of this second proposal. They love Government subsidies so much that they cannot even support cutting subsidies for the rich that are paid for by poor people. They say that if we take away the subsidies for the rich and keep them for the poor, it will make Medicare a welfare program. Frankly, if expecting better off people to pay more than poor people for the same benefits makes Medicare a welfare program, than Medicare is now and always has been a welfare program because it requires and has always required more money from wealthier people for the same benefits. When we think of welfare, we think of giving benefits to people who do not work or have not earned benefits through prior work. Our colleagues' claim that Americans who spent a lifetime working hard and paying taxes would be getting welfare under Part B if they received subsidies that rich people did not is insulting to those Americans (who comprise the vast majority of retirees). Once this provision is enacted into law, as we are certain it will be due to the courage of a majority of Senators, what will supporters of the Kennedy amendment division say then? Will they go to those Part B participants who still have subsidized premiums and call them welfare recipients? That is what they are calling them now.

In addition to claiming that removing this subsidy for upper income people will turn Medicare into welfare, our colleagues have also said that it will make upper income people quit enrolling in Medicare Part B. Putting aside their dubious claim that wealthier retirees put more money into Part B when they pay their 25-percent premiums than they receive in medical service benefits, we note that making them pay the full cost of their premiums will still make Part B a bargain for them. Medicare Part B covers virtually all elderly Americans; it is a huge risk pool that lowers costs. In a previous debate, some of our colleagues said that it costs \$10,000 per year to buy private health insurance for an elderly American. Under this bill, an individual with \$100,000 in income (which is the income level at which the subsidy will be fully phased out) will have to pay \$2,100 per year for Part B doctor's insurance. Private

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plans are going to have an awfully difficult time competing with that premium, so wealthy Americans will continue to enroll in Part B.

Many poorer retired Americans pay up to a third of their income on medical needs. All we are asking with section 5542 is that richer retired Americans pay up to 2 percent of their income for Medicare Part B. The savings from that change will be used to increase the solvency of the Part A trust fund. We strongly favor this proposal, and thus urge our colleagues to vote to table division I of the Kennedy amendment.

**Those opposing** the motion to table contended:

Means testing Medicare Part B will turn it from an insurance system into a welfare system, and will make it so costly for wealthy senior citizens that it will drive them right out of the program. This result will neither be fair nor prudent. For 50 years the Medicare system has operated as a universal medical insurance system. Rich or poor, workers have paid into the system and they have been entitled to the same benefits when they have retired. Medicare Part B has not been an exception to this principle. For decades, people have known that when they retire at age 65 they will be able to sign up for Part B and pay the same premium charged to everyone else. Section 5542 will violate this principle for the first time. Senior citizens earning as little as \$50,000 per year will have to pay higher premiums. For someone making \$100,000 per year, the premium will increase from \$530 annually to \$2,100 annually. This proposal is just not fair--it is breaking the promise to them that they will be entitled to the same premium as everyone else. In addition to being unfair, it will hurt Medicare for two reasons. First, it will cause higher income senior citizens not to purchase Part B. Such senior citizens pay more into Medicare than they get out in benefits; thus, if they quit, Medicare will lose money. Second, it will erode support for Medicare. Those people who are treated worse by the program will look less favorably on it. Therefore, both to protect Medicare and to be fair to all Medicare beneficiaries, Senators should support the effort to strike the proposal to means-test Part B premiums.